

JAMES CAMPBELL COMPANY LLC

Annual Report
2017



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President & Chief Executive
Officer (retired)
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Real Estate Investment
Management

Bradford J. Myers

President
Kapolei Properties Division

Shareholder Relations

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Shareholder Relations/Secretary
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Los Angeles, California

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Honolulu, Hawai'i

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(Cover photo)
The James & Abigail Campbell Library
at the University of Hawai'i - West O'ahu

CEO's Message



THE ECONOMY CONTINUED TO PROVIDE POSITIVE RESULTS IN 2017 as we completed the eighth year of this recovery cycle. I am pleased to report that the James Campbell Company posted a very good year, exceeding all 2016 earnings and net asset values.

One of the year's highlights was the naming of the University of Hawai'i - West O'ahu library in honor of James and Abigail Campbell. This is recognition of the contributions made to West O'ahu by Mr. and Mrs. Campbell, the Estate of James Campbell, the James Campbell Company and the James and Abigail Campbell Family Foundation. Fittingly, the James and Abigail Campbell Library is the first named building on the Kapolei campus and another step in the evolution of the Kapolei region. We have featured this significant milestone on the cover of this year's annual report and its lead story.

As we look forward to 2018, real estate market fundamentals remain strong with high occupancy, positive rental growth and new supply still largely in check. We will continue to take advantage of the strength of the market with a focus on sustaining shareholder distributions and protecting long term Net Asset Value.

There is much to be proud of in the Company's legacy and 2017 performance. I want to thank our Shareholders, Board of Directors and our dedicated staff for their continued input and support.

Aloha,

A handwritten signature in black ink that reads "Timothy J. Brauer". The signature is written in a cursive, flowing style.

Timothy J. Brauer
President and Chief Executive Officer



The Campbell Legacy is Honored at the University of Hawai'i - West O'ahu

The Naming of the James and Abigail Campbell Library

TODAY, THERE'S A THRIVING, GROWING ACADEMIC COMMUNITY IN KAPOLEI whose brand new campus is just five years old. But its genesis and the drive that sustained the vision for a four-year university campus in West O'ahu is far older. It began in 1993 when the University of Hawai'i Board of Regents selected Kapolei as the site for the University of Hawai'i - West O'ahu (UH West O'ahu) campus. At the time, UH West O'ahu, which was founded in 1976, occupied temporary facilities on the Leeward Community College campus.

To make the new campus possible, the Estate of James Campbell worked closely with several state administrations throughout the 1990s on a series of land swaps and grants, which resulted in the conveyance of 1,491 acres mauka and makai of the H-1 Freeway in Honouliuli to the University of Hawai'i for the West O'ahu campus. It included a 200-acre land grant specifically for campus use, and is the site on which the campus now sits. Not only would the land conveyance make it possible to bring higher education to Kapolei, but it would also be an ongoing source of funding to sustain a growing campus.

Throughout the early 2000s, the Estate of James Campbell and then the James Campbell Company continued to work with the university and the state legislature to ensure that the campus would be built by extending construction start deadlines several times. It all came together in the fall of 2012, when UH West O'ahu welcomed its first students to the new campus. The Company and Shareholders were on hand to witness the historic event.

In recognition of James and Abigail Campbell's legacy role in the Kapolei region and in the history of the university, the University of Hawai'i Board of Regents approved the naming of the UH West O'ahu's library in their honor in March 2017. The effort behind the naming was led by Dr. Doris Ching, the immediate past chancellor of UH West O'ahu. Ching was inspired by the impact the campus was already having on the



Library naming ceremony



Alice Guild, left, spoke at the naming ceremony in October 2017.

Dr. Doris Ching, below, led the effort to name the library in James and Abigail Campbell's honor.



lives of hundreds of students and community members. In turn, she believed, the university would have a broader impact through a better quality of life for the thousands of residents of West O'ahu. On October 21, 2017, an official unveiling of the new signage marked the naming of the library, the first named building on the campus. The ceremony was attended by representatives of the Campbell family, the Company, the James & Abigail Campbell Family Foundation, and university dignitaries.

Family member Alice Guild expressed the gratitude of the Campbell family and the Family Foundation for the naming.

"We owe a debt of gratitude to the State of Hawai'i and particularly to the University of Hawai'i System for the far-sighted action that resulted in the campus that we have here today. We are confident that the James & Abigail Campbell Library will strengthen the pulse of this great new campus and of the City of Kapolei."

Speaking for the Company, President and CEO Tim Brauer said, "I think it's a tremendous recognition of the contributions made by Mr. and Mrs. Campbell, the Estate, the family and the Company to West O'ahu and the students that will learn here."

James & Abigail Campbell Library

Continued

Moving Forward



Chancellor Maenette Benham is driving this forward momentum with a strategic planning process that encompasses academic and student success, and land and facilities long-range planning.

UH West O'ahu is already bringing higher education to West O'ahu at full speed. In fall 2017, its enrollment was 3,082, making it the fastest growing campus in the UH system. It was also cited as the fastest growing U.S. public baccalaureate institution in 2017 by the Chronicle of Higher Education.

UH West O'ahu is now building on the great strides made as noted in the high praise and seven-year accreditation status it received from the Western Association of Schools and Colleges (WASC) in 2015. It was recognized for its strong leadership, student-centered environment, and renewed focus on strategic planning.

Chancellor Maenette Benham is driving this forward momentum with a strategic planning process that encompasses academic and student success, and land and facilities long-range planning, with an eye on being sustainable at 8,000 students by 2028. "We will keep a keen eye on innovation, fiscal, and budgetary implications and impacts as we develop our strategic plan," said Benham.

This process will be guided by the value proposition: "UHWO prepares 21st Century leaders — career creators — through integrated, transdisciplinary programs where learners discover, innovate, and engage diverse communities to create a vibrant and just world."

A Beacon of Enlightenment

Clearly visible from Kualaka'i Parkway and surrounding areas, glowing and pulsing purple, blue, yellow and red LED lights illuminate the University of Hawai'i West O'ahu's 100-foot tall library tower at night, beaming out a symbolic beacon of enlightenment to current and future generations of students in West O'ahu. Every 15 minutes and on the hour, the time is marked by a mesmerizing computerized light show, which includes an astronomical clock that marks the passage of time. The Kauai artist, Carol Bennett, uses Hawaiian symbology and the history of the site to create this abstract kinetic glass tower as a "visual celebration of the values of higher education."

< See video of light show at <https://vimeo.com/63638456>



The James & Abigail Campbell Library



UH West O'ahu's signature programs

Creative Media: UH West O'ahu's Academy for Creative Media is the hub for creative media education within the UH System and prepares students to work in the creative economy, including positions in video game design and development, interactive design, motion and visual graphics, transmedia film, and TV production and new media.

Cybersecurity: UH West O'ahu's Information Security and Assurance program is designated as a National Center of Academic Excellence in Cyber Defense Education by the Department of Homeland Defense and the National Security Agency.

Health Sciences: UH West O'ahu's new two-story, 43,000-square foot Health Science/Administration building will open in October 2018. The \$36 million building will house programs such as community health, health information technology, Native Hawaiian and indigenous health and healing, and long-term care programs and will contain administrative offices, faculty offices, classrooms, and lab spaces. In partnership with Hawai'i's healthcare industry and the UH System, the vision for the health sciences program is to create a workforce for the 21st century. The goal is to create occupations where Native Hawaiians, Pacific Islanders, Filipinos and other first generation students, especially from West O'ahu, can receive an education that will lead to a living wage. In this way, UH West O'ahu is growing its own, from its community, to serve the community.

Hospitality and Tourism: Students are prepared for managerial positions with a local and global perspective of the industry and have an opportunity to expand their knowledge of service-oriented economics and concepts of hospitality and tourism.

Sustainable Community Food Systems: The program serves students interested in environmental science, sustainable economic development, and addressing pressing food system sustainability needs. It uses the campus' half-acre organic garden for student experiential learning and for public education.

Real Estate Investment Management

THE U.S. COMMERCIAL REAL ESTATE MARKET CONTINUED TO BE HEALTHY,

offering highly desirable investment opportunities in 2017. While construction was largely in check, the market remains strong, with the industrial sector the strongest, primarily fueled by e-commerce growth. With record numbers of major retail store closures underway (nearly 7,000 were announced in 2017), the retail sector's shift to e-commerce has ramped up its need for warehouse and distribution centers in the industrial sector. Heading into 2018, real estate industry observers expect the industrial sector to still be the top-ranked property type, and will outperform all other sectors. More muted growth is expected in office and retail.

In 2017, the Company's Real Estate Investment Management Division (REIM) exceeded 2016 in overall leasing activity (3.41 million square feet compared to 2.97 million in 2016). Leasing activity was robust throughout most of the industrial portfolio, particularly in California and New Jersey, with spaces leased at significantly higher rents than budgeted. Office leasing was



Northern Tool original building, Dallas, Texas



Northern Tool building expansion, Dallas, Texas

behind plan, despite successful results at several suburban office assets. Retail leasing was twice the amount projected.

One notable completed lease was the 262,500-square-foot renewal and 175,000 square-foot build-to-suit expansion of Northern Tool & Equipment in Dallas, Texas, which is located in the Great Southwest industrial

submarket between Dallas and Fort Worth. The value-add deal expanded the tenant's building, funded in part by a \$10.75 million allowance for building costs, and resulted in a new 15-year lease extension with Northern Tool at higher rent. The building also increased in value by 68 percent.

Acquisitions and Dispositions

During 2017, REIM acquired an industrial portfolio and a retail leasehold asset, and disposed of one industrial, one ground lease and two office assets.

2017 Acquisitions

Cabot Flex Industrial Portfolio

Cabot Flex Industrial portfolio is a 248,969-square-foot portfolio located in the Boston South submarket at the I-495 and I-95 interchange. The portfolio includes six industrial buildings, an office property and a 7.89-acre hotel ground lease. It is a highly adaptable portfolio able to accommodate a variety of tenant sizes, with uses catering to R&D, distribution and light manufacturing. Presently 100 percent leased, the portfolio was acquired in two separate transactions in 2017. There are currently nine tenants, including Chrysler Corporation, which leases one of the buildings as a training center for mechanics across the northeast.



*Cabot Flex Industrial portfolio,
Boston, Massachusetts*

2017 Acquisitions

Continued

500 Kamokila Boulevard Leasehold

Campbell Hawaii Investor LLC ("CHILLC"), an affiliate of the James Campbell Company, acquired the Kapolei Kmart leasehold improvements from Kmart Corporation Holding Company for \$4,550,000 on July 6, 2017. Under the agreement, at closing, Kmart reimbursed CHILLC for the operating costs associated with the leasehold improvements for the balance of 2017. By combining ownership of both the leasehold improvements and ground lease, this value added transaction provides the Company an opportunity to: 1) increase rental income, 2) increase value as the encumbrance of the long term below-market ground lease suppressed value, and 3) gain control of the site for repositioning and future redevelopment. The Company is marketing the asset for lease and is exploring both interim and long-term tenancies as well as single and multi-tenant uses.



500 Kamokila Boulevard, Kapolei, Hawai'i

2017 Dispositions

675 Old Peachtree Road

A single tenant industrial building, 675 Old Peachtree Road in Atlanta, Georgia was sold to Gramercy Property Trust.

Millennium McCormick Ranch

The Millennium McCormick Ranch ground lease in Scottsdale, Arizona was sold to the Saia Family Limited Partnership.

12700 Whitewater Drive

The office building, 12700 Whitewater Drive, in Minnetonka, Minnesota, was sold to RMR, the management vehicle for Senior Housing Properties Trust.

Central Park South and West

Central Park South and West in Raleigh/Durham, North Carolina, were sold to Lincoln Property Company on behalf of The Teacher's Retirement System of the state of Illinois.

Kapolei Properties Division



The City of Kapolei (Ilima at Leihano Senior Living, Embassy Suites, HomeWorld Furniture and Kapolei Lofts in the foreground)

Kapolei's real estate market trends are positive

THE COMMERCIAL REAL ESTATE MARKET IN HAWAII AND KAPOLEI WAS ROBUST IN 2017,

reflecting the state's strong overall economic health. The economy posted positive trends in visitor arrivals and expenditures, personal income and wages, state and county tax revenues, employment, and consumer spending. In the real estate industry, while declining rates of new building permits and a slowing of real estate and development activity point to moderating economic conditions, other real estate indicators such as a leveling off of construction costs should help to mitigate this trend. Fortunately, as the fastest growing area in the state, Kapolei is less prone to cyclical downturns compared with other areas in the Hawaii market. This was good news for Kapolei Properties Division, which manages the Company's Kapolei area development and investment activities.

■ **Industrial:** In 2017, industrial property vacancies across O'ahu were at record and national lows — below two percent. This helps to drive warehousing, distribution and industrial business growth to new Kapolei projects such as Kapolei Business Park Phase 2, Malakole Industrial Park and Kapolei Business Park West — all in their middle or late stages of development. The trend of businesses and tenants seeking lower costs in Kapolei also bodes well for the Company's longer term Kapolei Harborside project, which is the largest undeveloped industrial property in the state, adjacent to the state's second busiest commercial port, Kalaeloa Harbor.

■ **Hotel:** Kapolei continues to lead the state in new hotel construction in two distinct product types. Embassy Suites Kapolei opened in 2017 as the city's second extended or business stay

hotel, with more planned to meet the growing business, family and tourist demand in the area. At the Ko Olina Resort, planning progressed for two new luxury hotels as part of the resort's expansion. They will join the roster of three existing hotels – Four Seasons, Disney's Aulani and the Marriott Beach Club.

■ **Retail:** Kapolei's retail landscape is being shaped by expansions at larger regional centers like Ka Makana Ali'i and Kapolei Commons, while the performance of smaller community centers like the Company's Kapolei Shopping Center is consistently strong. The growth at the regional centers has been keeping pace with the region's population expansion, which has been traditionally retail underserved. These centers have also brought well-known state and national tenants to Kapolei for the first time, putting it on the national retail map.

■ **Office:** While the state's office market is challenged by relatively high vacancy rates, corresponding low rents, and a lack of new business growth opportunities, office rents in Kapolei remain higher than in downtown Honolulu. This reflects Kapolei's emergence as a business center, the relatively limited supply of office space in the area, and the high quality of product such as the Company's Campbell Square complex. New tenant and mixed-use office spaces imbedded in larger projects will be developed as Kapolei's service market matures.



Embassy Suites Kapolei

The commercial real estate market in Hawai'i and Kapolei was robust in 2017, reflecting the state's strong overall economic health.



Kalaeloa Boulevard and Wastewater Pump Station





Kapolei Lofts

Kapolei Lofts Hits Occupancy Milestone

By the end of 2017, Kapolei Lofts hit an important milestone when it reached 90 percent occupancy. With normal rental unit turnover, 90–95 percent is considered full occupancy in an apartment project the size of the 499-unit Kapolei Lofts. In debates on the statewide affordable housing crisis, the Company's role in the development of Kapolei Lofts is often cited as an example of how new high quality rental housing can be built. Forest City Realty Trust remained the project's owner and operator throughout 2017, while planning for its marketing and sale in 2018, in keeping with the company's exit from the Hawai'i market. A sale will result in a return on and of the Company's investment in the project, on top of returns already realized from ground lease and participation rent received in the first four years of development and operation.

Major Infrastructure Development Heads to Completion

In 2017, the Company had approximately \$100 million in major multi-year infrastructure construction projects under its management. This was an important transitional year that saw the projects advance well on their way to completion, leading up to most of these projects being completed in 2018, including the major improvements to Kalaeloa Boulevard and the construction of a new wastewater pump station at the corner of Kalaeloa Boulevard and Malakole Street. These infrastructure projects represent most of the Company's outstanding contractual obligations, and their completion will significantly reduce the risk the Estate assumed, and the Company inherited, in selling or exchanging assets with infrastructure requirements to achieve portfolio diversification over several decades.



Mokulani at Kapolei

The Mokulani at Kapolei Project Gets Underway

When the Company repurchased the 13-acre property adjacent to the H-1 Freeway now known as Mokulani at Kapolei in 2016, there were significant hurdles to its development that went unsolved in the 11 years since the property was first sold. Over the course of 2016 and 2017, government-driven restrictions related to use, access and infrastructure were resolved to allow for development of the property into six to nine lots that are being marketed for lease, sale and future development. Mass grading of the property began in December 2017, and end users are being recruited to develop new projects just across the freeway from the center of Kapolei. The property, which borders the H-1 Freeway below the Wet 'N Wild water park, is a good example of the Company's approach over the past several years of reacquiring Kapolei properties with value-add potential.

Community Giving



37% support education, primarily Leeward schools
29% support children, families and the community
34% support health and social service centers

IN 2017, THE JAMES CAMPBELL COMPANY AND THE JAMES & ABIGAIL CAMPBELL FAMILY FOUNDATION GAVE A COMBINED \$1.4 MILLION to organizations and non-profits that take care of the needs of children, families and communities in West O'ahu. Fifty-nine grants were made in priority areas including education, youth and their families, culture, and community development.

Public education garnered 37 percent of the support, with the major share benefitting Leeward public schools. Children, their families and the community received 29 percent of the grants, while 34 percent were major capital grants for health and social service centers and facilities that serve the West O'ahu and Wai'anae Coast communities.

The Company also continued its support of employee volunteerism and charitable giving through gifts and matching grants to their preferred charities.



In 2017, the James Campbell Company continued its support of Leeward public schools with a contribution of \$250,000 for general support of the schools' programs. 1st row: Holding the check are counselors from Barbers Point Elementary School, Andrea Epple and Cheryl Castillo. 2nd row: Cosmo Arakawa (Assistant Principal, Kapolei Elementary), Lauren Dunn (Principal, Ho'okele Elementary), Disa Hauge (Principal, Wai'anae High), Dr. Christina Kishimoto (Superintendent of Education), Ann Mahi (Complex Area Superintendent, Wai'anae / Nānākuli Complex) and Heidi Armstrong (Complex Area Superintendent, Campbell / Kapolei Complex). 3rd row: Wesley Shinkawa (Principal, Kapolei High), Sam Izumi (Principal, Mauka Lani Elementary), Danielle Himalaya (Assistant Principal, Makakilo Elementary), Jon Lee (Principal, James Campbell High), Richard Fajardo (Principal, Kapolei Middle), Darin Pili'aloa (Principal, Nānākuli High and Intermediate) and Tim Brauer (President and Chief Executive Officer, James Campbell Company LLC).



The Salvation Army Kroc Center Hawaii's Art and Music to Go program at Nānākuli Elementary School



Teach for America Hawai'i

In 2017, the Company and Foundation contributed \$1.4 million to support the wellbeing of children, families and the communities in West O'ahu.



Kahumana Community Center



Aloha Harvest



Boys & Girls Club of Hawaii



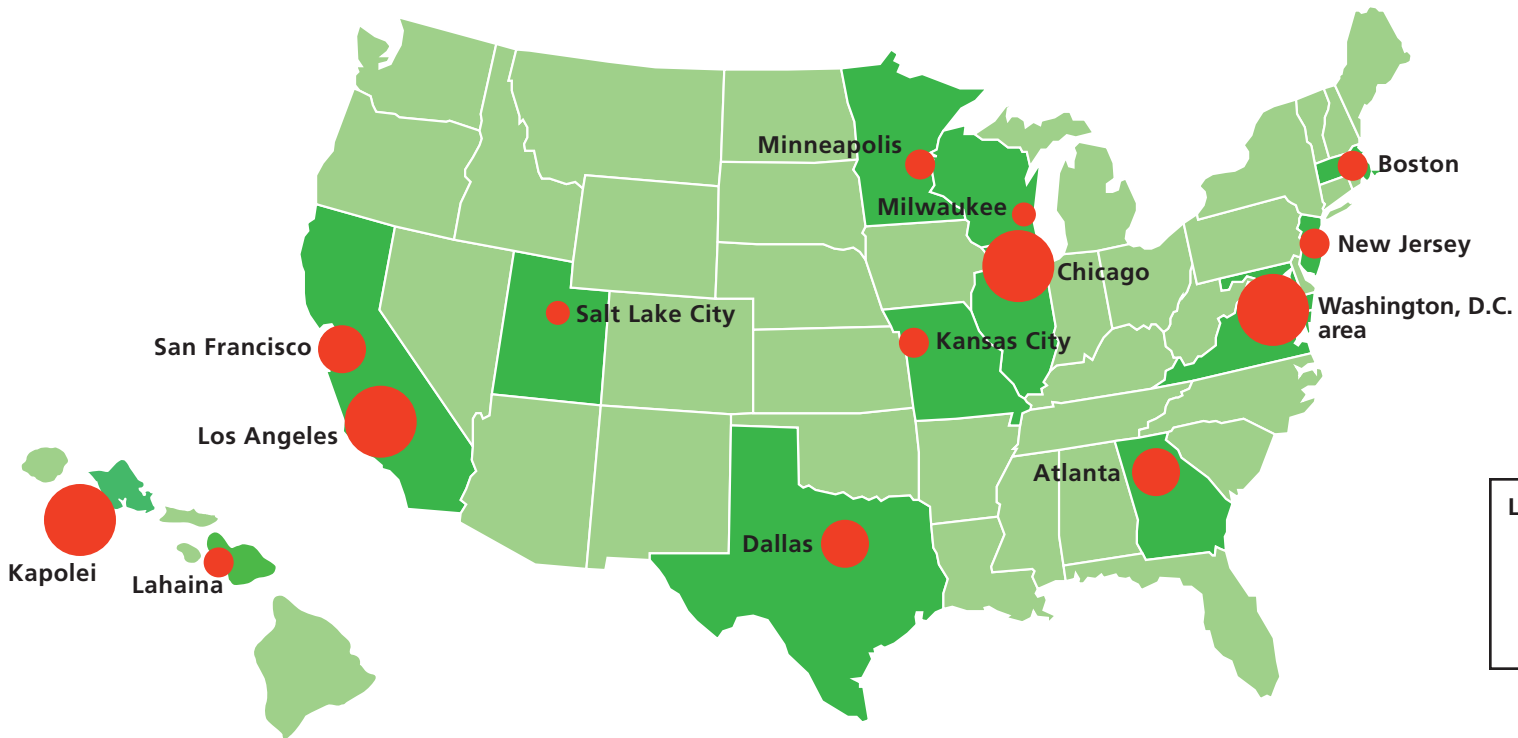
Center for Tomorrow's Leaders (CTL) Fellows Program



Leeward Kai Canoe Club

Properties

As of December 31, 2017



Legend

- ▲ Industrial
- Land/Ground Lease
- ◆ Office
- Retail

California

- ▲ 1200 Whipple Road
- ▲ 5725 Jurupa Street
- ▲ 8000-8200 Central Avenue
- ▲ 13479 Valley Boulevard
- ▲ 18021 Valley View Avenue
- ▲ 33300 Dowe Avenue
- ▲ Fullerton Industrial Center
- ▲ Montebello Industrial Center
- ▲ Ontario Distribution Center
- ▲ Ontario Gateway West
- Puente Hills East
- Vintage Oaks Shopping Center

Georgia

- ◆ 3225 Cumberland Boulevard
- ▲ Breckinridge North
- ▲ Shawnee Ridge
- ▲ SouthPoint
- ▲ Suwanee Creek Distribution Center

Hawai'i

- 500 Kamokila Boulevard
- ◆ Campbell Square
- ▲ Cardinal Health
- Kam IV Road
- Kapolei Harborside
- Kapolei Shopping Center
- Lanikuhonua
- Makaiwa Hills
- ▲ Neiman Marcus
- Paradise Cove
- Kapolei
- Westin Maui

Illinois

- ◆ 600 North Field Drive
- ▲ 815 Bluff Road
- ▲ 825 Bluff Road
- ▲ 1333-1347 Mt. Prospect Road
- ◆ 3025 Highland Parkway
- ▲ 8710-8740 W. 50th Street
- ▲ 10600 W. Belmont Avenue
- ◆ ArborLake Centre
- ▲ Hamilton Parkway
- ▲ Roselle Center
- ▲ Windham Industrial Center

Maryland

- ◆ Two Washingtonian

Massachusetts

- ◆ 101 Station Landing
- ◆ 160 Gould Street
- ▲ 250 Revolutionary Drive
- ▲ 350 Revolutionary Drive
- ▲ 275 John Hancock Road
- ▲ 675 Canton Street
- ▲ Cabot Flex Industrial
- ◆ One Alewife Center

Minnesota

- ▲ 865 Xenium Lane North
- ▲ 1090 Gemini Road
- ▲ 8100 Powers Boulevard
- ▲ 8701 Brooklyn Boulevard
- ▲ Carlson Tech Center
- ▲ Oliver Avenue South
- ▲ Plymouth Industrial

Missouri

- ◆ Ward Parkway

New Jersey

- ▲ 24 Engelhard Drive
- ▲ 2615 Route 130
- ▲ One Matrix Drive

Texas

- ▲ 4060 E. Plano Parkway
- ▲ 4600 South Watson
- ▲ 801 Railhead Road
- ▲ 4675 Railhead Road
- ▲ 3201 E. Arkansas Lane
- ▲ 3221 E. Arkansas Lane
- ▲ 4800 Langdon Road
- ▲ 4900 Langdon Road

Utah

- ◆ Union Park Center II
- ◆ Union Park Center III
- ◆ Union Park Center IV

Virginia

- ◆ 2051 Jamieson Avenue
- ◆ 3110 Fairview Park Drive
- ◆ 4100 North Fairfax Drive

Washington, D.C.

- ◆ 1331 F Street NW
- ◆ 1667 K Street NW

Wisconsin

- ▲ Emmer Drive
- ▲ Stratton Drive
- ▲ Westridge Drive

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